

January 14, 2013

Natural Gas Trends

Highlights

EIA'S SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) January 8, 2013 Short-Term Energy Outlook (STEO):

Spot prices, natural gas. Natural gas spot prices averaged \$3.34 per MMBtu at the Henry Hub in December 2012, down \$0.20 per MMBtu from the November 2012 average and \$0.17 per MMBtu more than the December 2011 average. The warm December partially led to the month-over-month decline in prices. Through 2014, EIA expects prices will gradually rise but still remain relatively low. EIA expects the Henry Hub price will average \$3.74 per MMBtu in 2013 (compared to \$2.75 per MMBtu in 2012) and \$3.90 per MMBtu in 2014.

Natural gas futures prices: Natural gas futures prices for April 2013 delivery (for the five-day period ending January 3, 2013) averaged \$3.38 per MMBtu. Current options and futures prices imply that market participants place the lower and upper bounds for the 95-percent confidence interval for April 2013 contracts at \$2.42 per MMBtu and \$4.73 per MMBtu, respectively. At this time a year ago, the natural gas futures contract for April 2012 averaged \$3.11 per MMBtu and the corresponding lower and upper limits of the 95-percent confidence interval were \$2.15 per MMBtu and \$4.49 per MMBtu.

EIA expects the coal share of total electricity generation to rise from 37.6 percent in 2012 to 39.0 percent in 2013 and 39.6 percent in 2014, as natural gas prices rise relative to coal prices.

Despite projected declines in electric power consumption from 2012 levels, consumption of natural gas for electric power generation remains high by historical standards and reflects a structural shift toward using more natural gas for power generation.

Production. EIA expects continued growth in natural gas production, driven largely by onshore production in shale areas. In particular, production in the Marcellus Shale areas of Pennsylvania and West Virginia is expected to continue rising, as recently drilled wells become operational. This month's STEO expects that total marketed production will increase from 69.2 Bcf/d in 2012 to 69.8 Bcf/d in 2013, and drop slightly to 69.5 Bcf/d in 2014. EIA expects growth in Lower 48 onshore production will continue through 2014, and will be offset by Gulf of Mexico declines next year.

Consumption. EIA expects that natural gas consumption will average 69.7 billion cubic feet per day (Bcf/d) in 2013 and 69.4

Data

- February 2013 Natural Gas Futures Contract (as of Jan. 11), NYMEX at Henry Hub closed at \$3.327 per million British thermal units (MMBtu)
- February Light, Sweet Crude Oil Futures Contract (as of Jan. 11), NYMEX at Cushing closed at \$93.56 per U.S. oil barrel (Bbl.) or approximately \$14.90 per MMBtu

Last week: U.S., Texas warmer than normal

For the week beginning 1/6/12 and ending 1/12/13, heating degree days (HDD) were lower than normal (warmer) for Texas and the US. In fact, for almost all entities we monitor HDDs were lower than normal (warmer).

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 1/12/13	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	177	-33	1713	-19%
Austin	97	-15	827	-1%
DFW	105	-46	961	-19%
El Paso	148	1	1093	-20%
Houston	52	-46	559	-27%
SAT	77	-28	635	-21%
Texas**	87	-37	834	-17%
U.S.**	161	-47	1902	-9%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.
** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,316 Bcf

For the week ending 1/4/2013 working gas in storage decreased from 3,517 Bcf to 3,316 Bcf. This represents a decrease of 201 Bcf from the previous week. Stocks were 88 Bcf lower than last year at this time and 320 Bcf above the 5 year average of 2996 Bcf.

Source: <http://it.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/4/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,686	1,799	-113	5.8%
West	478	505	-27	17.4%
Producing	1,152	1,213	-61	15.7%
Lower 48 Total	3,316	3,517	-201	10.7%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down 1

The gas rig count for the U.S. was down 5 when compared to the prior week and down 357 when compared to 12 months ago. The total rig count for the U.S. was down 1 for the week and down 226 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

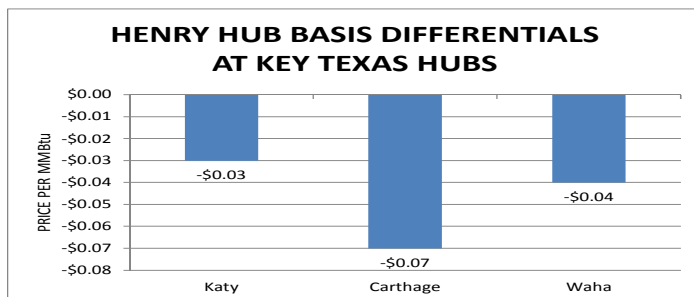
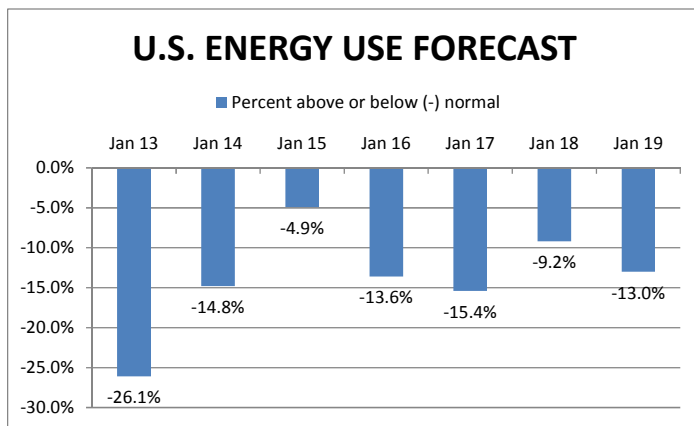
BAKER HUGHES ROTARY RIG COUNT				
	As of 1/11/2013	+/- prior week	Year ago	+/- year ago
Texas	824	-2	925	-101
U.S. gas	434	-5	791	-357
U.S. oil	1323	5	1191	132
U.S. total	1761	-1	1987	-226
Canada	531	273	611	-80

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use sharply below normal

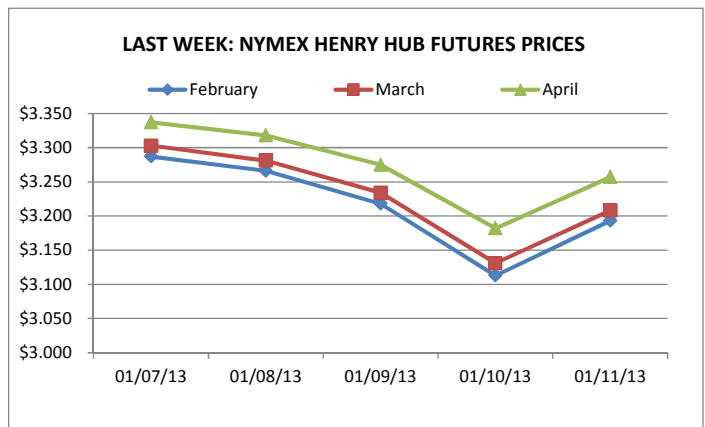
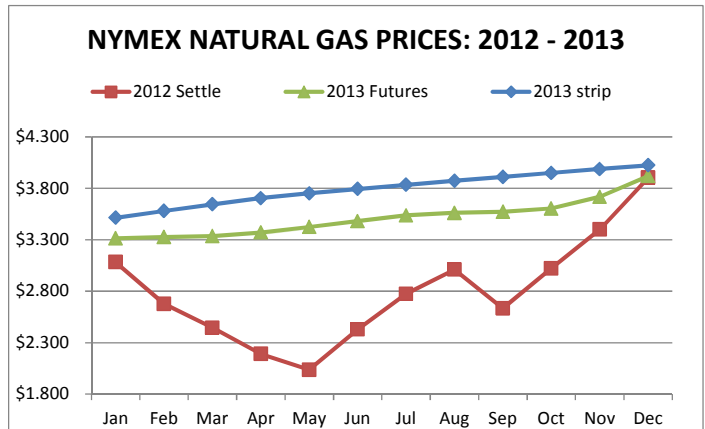
U.S. energy use is predicted to be below normal throughout the week of January 13. According to the Dominion Energy Index, as shown below, Dominion forecasts total U.S. residential energy usage, a component of which is natural gas

Source: Dominion Energy Index

**NATURAL GAS PRICE SUMMARY AS OF 1/11/2013**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$3.287	-\$0.027	-\$0.472	\$3.417

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



Gary M. Torrent Ph.D.
*a natural gas analyst in the Market Oversight Section
of the Gas Services Division,
is editor of Natural Gas Trends.*
Comments on this publication may be directed to Dr. Torrent at
512.463.7395
or gary.torrent@rrc.state.tx.us